

**LAURENS-MARATHON  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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**LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**BOARD OF EDUCATION**

(Before September, 2005 Election)

|                 |                |      |
|-----------------|----------------|------|
| Thaine Hopkins  | President      | 2006 |
| Brett Barglof   | Vice President | 2005 |
| Terry Gunnarson |                | 2007 |
| Nancy Fuchs     |                | 2007 |
| Brett Fehr      |                | 2006 |

(After September, 2005 Election)

|                 |                |      |
|-----------------|----------------|------|
| Brett Barglof   | President      | 2008 |
| Brett Fehr      | Vice President | 2006 |
| Terry Gunnarson |                | 2007 |
| Nancy Fuchs     |                | 2007 |
| Thaine Hopkins  |                | 2006 |

**SCHOOL OFFICIALS**

|                  |                                  |
|------------------|----------------------------------|
| Dan Braunschweig | Superintendent                   |
| Susan Wenell     | District Secretary/<br>Treasurer |

## **Independent Auditor's Report**

To The Board of Education of the  
Laurens-Marathon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District, Laurens, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2006 on our consideration of Laurens-Marathon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens-Marathon Community School District's basic financial statements.

We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

October 23, 2006

## **LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Laurens-Marathon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,416,580 in fiscal 2005 to \$3,430,408 in fiscal 2006, while General Fund expenditures increased from \$3,432,752 in fiscal year 2005 to \$3,435,590 in fiscal 2006. The District's General Fund balance decreased from \$349,801 in fiscal 2005 to \$344,619 in fiscal 2006, a 1% decrease.
- The District received \$39,248 in a federal Small Rural Schools Achievement Grant as part of the Rural Education Achievement Program.
- The District's Certified Enrollment dropped from 423.0 students in September 2004 to 392.00 students in September 2005.
- General Fund revenues increased slightly. There were no major variances from the prior year in any area.
- General Fund expenditures discretionary spending.
- PPEL fund revenues exceeded expenses by almost \$80,000 as the remainder of the insurance proceeds from the fire were received.
- The District is collecting local option sales tax. It is currently being set aside for future capital projects.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Laurens-Marathon Community School District*

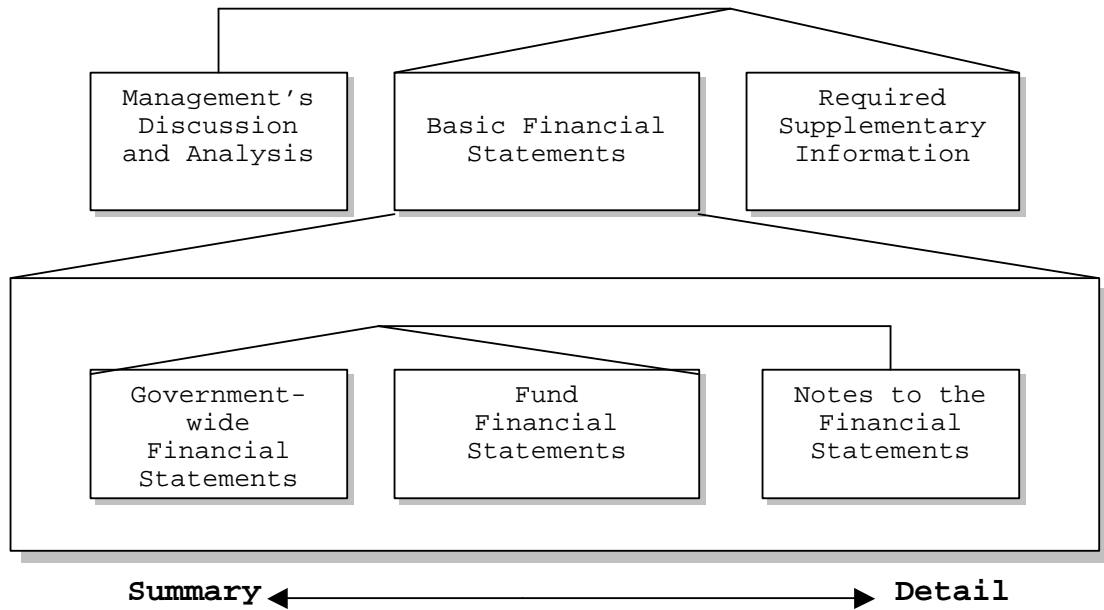


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

| <b>Figure A-2</b>  |  |  |  |   |
|--|--|--|--|---|
| <b>Major Features of the Government-wide and Fund Financial Statements</b> |  |  |  |   |
|  | Government-wide Statements   | Fund Financial Statements  |  |   |
|  |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope  | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses; food services and adult education  | Instances in which the district administers resources on behalf of someone else, such as scholarship programs                                 |
| Required financial statements  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus                                     | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information   | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes, local option sales tax and state aid financing.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets  
(expressed in thousands)

|  | Governmental |              | Business-type |           | Total           |              | Percentage    |
|--|--------------|--------------|---------------|-----------|-----------------|--------------|---------------|
|  | Activities   |              | Activities    |           | School District |              | Change        |
|  | June 30,     |              | June 30,      |           | June 30,        |              | June 30,      |
|  | 2006         | 2005         | 2006          | 2005      | 2006            | 2005         | 2005-2006     |
|  | \$           | \$           | \$            | \$        | \$              | \$           |               |
| Current assets                                     | 2,615        | 2,364        | 12            | 28        | 2,627           | 2,392        | 9.82%         |
| Capital assets                                     | 1,304        | 1,366        | 14            | 16        | 1,318           | 1,382        | -4.63%        |
| <b>Total assets</b>                                | <u>3,919</u> | <u>3,730</u> | <u>26</u>     | <u>44</u> | <u>3,945</u>    | <u>3,774</u> | <u>4.53%</u>  |
| Current liabilities                                | 1,606        | 1,610        | -             | -         | 1,606           | 1,610        | -0.25%        |
| Non-current liabilities                            | 935          | 1,072        | -             | -         | 935             | 1,072        | -12.78%       |
| <b>Total liabilities</b>                           | <u>2,541</u> | <u>2,682</u> | <u>-</u>      | <u>-</u>  | <u>2,541</u>    | <u>2,682</u> | <u>-5.26%</u> |
| <b>Net Assets</b>                                  |              |              |               |           |                 |              |               |
| Invested in capital assets,<br>net of related debt | 379          | 311          | 14            | 16        | 393             | 327          | 20.18%        |
| Restricted   | 530          | 258          | -             | -         | 530             | 258          | 105.43%       |
| Unrestricted                                       | 469          | 479          | 12            | 28        | 481             | 507          | -5.13%        |
| <b>Total net assets</b>                            | <u>1,378</u> | <u>1,048</u> | <u>26</u>     | <u>44</u> | <u>1,404</u>    | <u>1,092</u> | <u>28.57%</u> |

Total net assets increased over 29% due to the accumulation of the local option sales tax and PPEL revenues. The General Fund held steady due to careful monitoring of discretionary spending.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

| Governmental             |              | Business type |            | Total           |              | Total          |
|--------------------------|--------------|---------------|------------|-----------------|--------------|----------------|
| Activities               |              | Activities    |            | School District |              | Change         |
| 2006                     | 2005         | 2006          | 2005       | 2006            | 2005         | 2005-2006      |
| \$                       | \$           | \$            | \$         | \$              | \$           |                |
| Revenues:                |              |               |            |                 |              |                |
| Program revenues:        |              |               |            |                 |              |                |
| 251                      | 209          | 105           | 116        | 356             | 325          | 9.54%          |
| 695                      | 1,203        | 74            | 73         | 769             | 1,276        | -39.73%        |
| General revenues:        |              |               |            |                 |              |                |
| 1,573                    | 1,532        | -             | -          | 1,573           | 1,532        | 2.68%          |
| 82                       | 163          | -             | -          | 82              | 163          | -49.69%        |
| 240                      | 120          | -             | -          | 240             | 120          | 100.00%        |
| 1,424                    | 1,446        | -             | -          | 1,424           | 1,446        | -1.52%         |
| 8                        | 5            | -             | -          | 8               | 5            | 60.00%         |
| 35                       | 133          | -             | -          | 35              | 133          | -73.68%        |
| <u>4,308</u>             | <u>4,811</u> | <u>179</u>    | <u>189</u> | <u>4,487</u>    | <u>5,000</u> | <u>-10.26%</u> |
| Program expenses:        |              |               |            |                 |              |                |
| Governmental activities: |              |               |            |                 |              |                |
| 2,573                    | 2,443        | -             | -          | 2,573           | 2,443        | 5.32%          |
| 1,016                    | 1,168        | -             | -          | 1,016           | 1,168        | -13.01%        |
| -                        | -            | 198           | 180        | 198             | 180          | 10.00%         |
| 388                      | 870          | -             | -          | 388             | 870          | -55.40%        |
| <u>3,977</u>             | <u>4,481</u> | <u>198</u>    | <u>180</u> | <u>4,175</u>    | <u>4,661</u> | <u>-10.43%</u> |
| 331                      | 330          | (19)          | 9          | 312             | 339          | -7.96%         |

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 86% of the total expenses. These percentages were significantly higher than in 2005 due to the impact of the 2005 fire damage proceeds and rebuilding. Percentages are in line with 2004 and prior years.

## GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$4,308,242 and expenses were \$3,976,988.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(expressed in thousands)**

|                  | Total Cost of Services |              |                     | Net Cost of Services |              |                     |
|------------------|------------------------|--------------|---------------------|----------------------|--------------|---------------------|
|                  | 2006                   | 2005         | Change<br>2005-2006 | 2006                 | 2005         | Change<br>2005-2006 |
|                  | \$                     | \$           |                     | \$                   | \$           |                     |
| Instruction      | 2,573                  | 2,443        | 5.32%               | 1,847                | 1,757        | 5.12%               |
| Support Services | 1,016                  | 1,168        | -13.01%             | 934                  | 1,154        | -19.06%             |
| Other expenses   | <u>388</u>             | <u>870</u>   | <u>-55.40%</u>      | <u>250</u>           | <u>158</u>   | <u>58.23%</u>       |
| Totals           | <u>3,977</u>           | <u>4,481</u> | <u>-11.25%</u>      | <u>3,031</u>         | <u>3,069</u> | <u>-1.24%</u>       |

- The cost financed by users of the District's programs was \$250,577.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$695,367.
- The net cost of governmental activities was financed with \$1,572,467 in property tax, \$1,424,331 in state foundation aid, and \$8,011 in interest income.

## PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$179,260 and expenses were \$197,848. The revenues include charges for services, contributions, and federal and state reimbursements.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Laurens-Marathon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$1,378,839, which is 32% greater than last year's ending fund balance of \$1,047,595, primarily due to accumulation of sales tax revenues.

## GOVERNMENTAL FUND HIGHLIGHTS

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- Collection of local option sales tax as well as careful cost containment measures were primary factors for the increase.

## PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net assets decreased from \$44,263 at June 30, 2005 to \$25,675 at June 30, 2005, representing a decrease of approximately 42%.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenues were less than budgeted amounts by over \$250,000, primarily because of less state aid than projected.

## CAPITAL ASSETS

The District has invested more than \$3.4 million by the end of fiscal year 2006 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$75,000.

Figure A-6  
Condensed Statement of Net Assets  
(expressed in thousands)

|                         | Governmental |       | Business-type |      | Total           |       | Total     |
|-------------------------|--------------|-------|---------------|------|-----------------|-------|-----------|
|                         | Activities   |       | Activities    |      | School District |       | Change    |
|                         | June 30,     |       | June 30,      |      | June 30,        |       | June 30,  |
|                         | 2006         | 2005  | 2006          | 2005 | 2006            | 2005  | 2005-2006 |
|                         | \$           | \$    | \$            | \$   | \$              | \$    |           |
| Land                    | 40           | 40    | -             | -    | 40              | 40    | 0.00%     |
| Land improvements       | 4            | 5     | -             | -    | 4               | 5     | 100.00%   |
| Buildings               | 1,066        | 1,099 | -             | -    | 1,066           | 1,099 | -3.00%    |
| Furniture and equipment | 194          | 222   | 14            | 16   | 208             | 238   | -12.61%   |
| Totals                  | 1,304        | 1,366 | 14            | 16   | 1,318           | 1,382 | -4.63%    |

## LONG-TERM DEBT

The District has \$925,000 in general obligation bonds outstanding. This represents a decrease of \$130,000 from the previous year. The principal and interest on the bonds will be paid in full by June 1, 2012. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2006 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- Possible sharing opportunities with neighboring districts are being explored to bolster the District's financial position.

- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Wenell, District Secretary/Treasurer and Business Manager, Laurens-Marathon Community School District, 300 West Garfield, Laurens, IA 50554.

## Basic Financial Statements

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

|   | Governmental<br>Activities | Business Type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
|   | \$                         | \$                          | \$               |
| <b>Assets</b>                                   |                            |                             |                  |
| Cash  | 908,720                    | 7,385                       | 916,105          |
| Receivables:                                    |                            |                             |                  |
| Property tax:                                   |                            |                             |                  |
| Current year                                    | 20,563                     | -                           | 20,563           |
| Succeeding year                                 | 1,585,212                  | -                           | 1,585,212        |
| Income surtax - succeeding year                 | 74,436                     | -                           | 74,436           |
| Due from other governments                      | 26,170                     | -                           | 26,170           |
| Inventories                                     | -                          | 4,506                       | 4,506            |
| Capital assets, net of accumulated depreciation | 1,304,242                  | 13,784                      | 1,318,026        |
| <b>Total assets</b>                             | <b>3,919,343</b>           | <b>25,675</b>               | <b>3,945,018</b> |
| <b>Liabilities</b>                              |                            |                             |                  |
| Accounts payable                                | 16,678                     | -                           | 16,678           |
| Accrued interest payable                        | 3,854                      | -                           | 3,854            |
| Deferred revenue:                               |                            |                             |                  |
| Succeeding year property tax                    | 1,585,212                  | -                           | 1,585,212        |
| Long-term liabilities:                          |                            |                             |                  |
| Portion due within one year:                    |                            |                             |                  |
| General obligation bonds payable                | 135,000                    | -                           | 135,000          |
| Early retirement                                | 9,760                      | -                           | 9,760            |
| Portion due after one year:                     |                            |                             |                  |
| General obligation bonds payable                | 790,000                    | -                           | 790,000          |
| <b>Total liabilities</b>                        | <b>2,540,504</b>           | <b>-</b>                    | <b>2,540,504</b> |
| <b>Net assets</b>                               |                            |                             |                  |
| Invested in capital assets, net of related debt | 379,242                    | 13,784                      | 393,026          |
| Restricted for:                                 |                            |                             |                  |
| Management levy                                 | 71,386                     | -                           | 71,386           |
| Physical plant and equipment levy               | 102,210                    | -                           | 102,210          |
| Debt service                                    | 81,734                     | -                           | 81,734           |
| Capital projects                                | 275,657                    | -                           | 275,657          |
| Unrestricted                                    | 468,610                    | 11,891                      | 480,501          |
| <b>Total net assets</b>                         | <b>1,378,839</b>           | <b>25,675</b>               | <b>1,404,514</b> |

See notes to financial statements.



## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

|   | Program Revenues |                     |   |                         |                          | Total       |
|---|------------------|---------------------|---|-------------------------|--------------------------|-------------|
|   | Expenses         | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities |             |
|   | \$               | \$                  | \$  | \$                      | \$                       | \$          |
| <b><u>Functions/Programs</u></b>            |                  |                     |   |                         |                          |             |
| Governmental activities:                    |                  |                     |   |                         |                          |             |
| Instruction:                                | 2,573,312        | 250,577             | 476,262   | (1,846,473)             | -                        | (1,846,473) |
| Support services:                           |                  |                     |   |                         |                          |             |
| Student services                            | 92,788           | -                   | -   | (92,788)                | -                        | (92,788)    |
| Instructional staff services                | 104,835          | -                   | -   | (104,835)               | -                        | (104,835)   |
| Administration services                     | 347,999          | -                   | -   | (347,999)               | -                        | (347,999)   |
| Operation and maintenance of plant services | 350,048          | -                   | 80,796  | (269,252)               | -                        | (269,252)   |
| Transportation services                     | 120,040          | -                   | 663   | (119,377)               | -                        | (119,377)   |
|   | 1,015,710        | -                   | 81,459  | (934,251)               | -                        | (934,251)   |
| Other expenditures:                         |                  |                     |   |                         |                          |             |
| AEA flowthrough                             | 130,755          | -                   | 130,755   | -                       | -                        | -           |
| Long-term debt services                     | 422              | -                   | -   | (422)                   | -                        | (422)       |
| Long-term debt interest                     | 52,208           | -                   | 2,840   | (49,368)                | -                        | (49,368)    |
| Facilities acquisition and construction     | 129,897          | -                   | 4,051   | (125,846)               | -                        | (125,846)   |
| Depreciation (unallocated)*                 | 74,694           | -                   | -   | (74,694)                | -                        | (74,694)    |
|   | 387,976          | -                   | 137,646   | (250,330)               | -                        | (250,330)   |
| Total governmental activities               | 3,976,998        | 250,577             | 695,367   | (3,031,054)             | -                        | (3,031,054) |

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

|                                  | Program Revenues |                     |   |                         |                          | Total              |
|----------------------------------|------------------|---------------------|---|-------------------------|--------------------------|--------------------|
|                                  | Expenses         | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities |                    |
|                                  | \$               | \$                  | \$  | \$                      | \$                       | \$                 |
| Business type activities:        |                  |                     |   |                         |                          |                    |
| Non-instructional programs:      |                  |                     |   |                         |                          |                    |
| Nutrition services               | 197,848          | 105,041             | 74,219  | -                       | (18,588)                 | (18,588)           |
| Total                            | <u>4,174,846</u> | <u>355,618</u>      | <u>769,586</u>  | <u>(3,031,054)</u>      | <u>(18,588)</u>          | <u>(3,049,642)</u> |
| <b>General revenues:</b>         |                  |                     |   |                         |                          |                    |
| Property tax levied for:         |                  |                     |   |                         |                          |                    |
| General purposes                 |                  |                     |   | 1,240,276               | -                        | 1,240,276          |
| Management levy                  |                  |                     |   | 99,810                  | -                        | 99,810             |
| Debt service                     |                  |                     |   | 94,690                  | -                        | 94,690             |
| Capital outlay                   |                  |                     |   | 137,688                 | -                        | 137,688            |
| Income surtax                    |                  |                     |   |                         |                          |                    |
| General purposes                 |                  |                     |   | 41,057                  | -                        | 41,057             |
| Capital outlay                   |                  |                     |   | 41,057                  | -                        | 41,057             |
| Local option sales tax           |                  |                     |   | 240,084                 | -                        | 240,084            |
| Unrestricted state grants        |                  |                     |   | 1,424,331               | -                        | 1,424,331          |
| Unrestricted investment earnings |                  |                     |   | 8,011                   | -                        | 8,011              |
| Other                            |                  |                     |   | <u>35,294</u>           | <u>-</u>                 | <u>35,294</u>      |
| Total general revenue            |                  |                     |   | <u>3,362,298</u>        | <u>-</u>                 | <u>3,362,298</u>   |
| Change in net assets             |                  |                     |   | 331,244                 | (18,588)                 | 312,656            |
| Net assets beginning of year     |                  |                     |   | <u>1,047,595</u>        | <u>44,263</u>            | <u>1,091,858</u>   |
| Net assets end of year           |                  |                     |   | <u>1,378,839</u>        | <u>25,675</u>            | <u>1,404,514</u>   |

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2006

|  | General          | Debt<br>Service | Capital<br>Projects | Physical<br>Plant and<br>Equipment<br>Levy | Nonmajor<br>Special<br>Revenue | Total            |
|--|------------------|-----------------|---------------------|--|--------------------------------|------------------|
|  | \$               | \$              | \$                  | \$   | \$                             | \$               |
| <b>Assets</b>                              |                  |                 |                     |  |                                |                  |
| Cash                                       | 335,485          | 84,333          | 259,117             | 100,408                                    | 129,377                        | 908,720          |
| Receivables:                               |                  |                 |                     |  |                                |                  |
| Property tax:                              |                  |                 |                     |  |                                |                  |
| Current year                               | 16,182           | 1,255           | -                   | 1,802                                      | 1,324                          | 20,563           |
| Succeeding year                            | 1,201,601        | 143,650         | -                   | 139,961                                    | 100,000                        | 1,585,212        |
| Income surtax - succeeding year            | 37,218           | -               | -                   | 37,218                                     | -                              | 74,436           |
| Due from other governments                 | 9,630            | -               | 16,540              | -  | -                              | 26,170           |
| <b>Total assets</b>                        | <u>1,600,116</u> | <u>229,238</u>  | <u>275,657</u>      | <u>279,389</u>                             | <u>230,701</u>                 | <u>2,615,101</u> |
| <b>Liabilities and Fund Balance</b>        |                  |                 |                     |  |                                |                  |
| Liabilities:                               |                  |                 |                     |  |                                |                  |
| Accounts payable                           | 16,678           | -               | -                   | -  | -                              | 16,678           |
| Deferred revenue:                          |                  |                 |                     |  |                                |                  |
| Succeeding year property tax               | 1,201,601        | 143,650         | -                   | 139,961                                    | 100,000                        | 1,585,212        |
| Succeeding year income surtax              | 37,218           | -               | -                   | 37,218                                     | -                              | 74,436           |
| Total liabilities                          | <u>1,255,497</u> | <u>143,650</u>  | <u>-</u>            | <u>177,179</u>                             | <u>100,000</u>                 | <u>1,676,326</u> |
| Fund balances:                             |                  |                 |                     |  |                                |                  |
| Reserved for debt service                  | -                | 85,588          | -                   | -  | -                              | 85,588           |
| Reserved for capital projects              | -                | -               | 275,657             | -  | -                              | 275,657          |
| Unreserved                                 | 344,619          | -               | -                   | 102,210                                    | 130,701                        | 577,530          |
| Total fund balances                        | <u>344,619</u>   | <u>85,588</u>   | <u>275,657</u>      | <u>102,210</u>                             | <u>130,701</u>                 | <u>938,775</u>   |
| <b>Total liabilities and fund balances</b> | <u>1,600,116</u> | <u>229,238</u>  | <u>275,657</u>      | <u>279,389</u>                             | <u>230,701</u>                 | <u>2,615,101</u> |

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2006

|   |                |                            |
|---|----------------|----------------------------|
| <b>Total fund balances of governmental funds (Exhibit C)</b>  |                | \$ 938,775                 |
| <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>   |                |                            |
| Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets. |                | 74,436                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.                                    |                | 1,304,242                  |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.            |                | (3,854)                    |
| Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.                           |                |                            |
| General obligation bonds  | (925,000)      |                            |
| Early retirement  | <u>(9,760)</u> | <u>(934,760)</u>           |
| <b>Net assets of governmental activities (Exhibit A)</b>  |                | <u><u>\$ 1,378,839</u></u> |

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2006

|   | General          | Debt<br>Service | Capital<br>Projects | Physical<br>Plant and<br>Equipment<br>Levy | Nonmajor<br>Special<br>Revenue | Total            |
|---|------------------|-----------------|---------------------|--|--------------------------------|------------------|
|   | \$               | \$              | \$                  | \$   | \$                             | \$               |
| Revenues:                                   |                  |                 |                     |  |                                |                  |
| Local sources                               |                  |                 |                     |  |                                |                  |
| Local tax                                   | 1,284,045        | 94,690          | 240,084             | 181,457                                    | 99,810                         | 1,900,086        |
| Tuition                                     | 250,577          | -               | -                   | -  | -                              | 250,577          |
| Other                                       | 43,305           | 2,761           | 4,051               | 60,085                                     | 200,044                        | 310,246          |
| State sources                               | 1,716,797        | 79              | -                   | 114  | 83                             | 1,717,073        |
| Federal sources                             | 135,684          | -               | -                   | -  | -                              | 135,684          |
| Total revenues                              | <u>3,430,408</u> | <u>97,530</u>   | <u>244,135</u>      | <u>241,656</u>                             | <u>299,937</u>                 | <u>4,313,666</u> |
| Expenditures:                               |                  |                 |                     |  |                                |                  |
| Instruction:                                | <u>2,339,666</u> | <u>-</u>        | <u>-</u>            | <u>2,778</u>                               | <u>237,748</u>                 | <u>2,580,192</u> |
| Support services:                           |                  |                 |                     |  |                                |                  |
| Student services                            | 92,788           | -               | -                   | -  | -                              | 92,788           |
| Instructional staff services                | 104,835          | -               | -                   | -  | -                              | 104,835          |
| Administration services                     | 342,634          | -               | -                   | 5,365                                      | -                              | 347,999          |
| Operation and maintenance of plant services | 317,005          | -               | -                   | 9,125                                      | 23,918                         | 350,048          |
| Transportation services                     | <u>107,907</u>   | <u>-</u>        | <u>-</u>            | <u>14,846</u>                              | <u>10,553</u>                  | <u>133,306</u>   |
|   | <u>965,169</u>   | <u>-</u>        | <u>-</u>            | <u>29,336</u>                              | <u>34,471</u>                  | <u>1,028,976</u> |

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2006

|   | General                   | Debt<br>Service          | Capital<br>Projects       | Physical<br>Plant and<br>Equipment<br>Levy | Nonmajor<br>Special<br>Revenue | Total                     |
|---|---------------------------|--------------------------|---------------------------|--|--------------------------------|---------------------------|
|   | \$                        | \$                       | \$                        | \$   | \$                             | \$                        |
| Other expenditures:                     |                           |                          |                           |  |                                |                           |
| AEA flowthrough                         | 130,755                   | -                        | -                         | -  | -                              | 130,755                   |
| Long-term debt:                         |                           |                          |                           |  |                                |                           |
| Services                                | -                         | 422                      | -                         | -  | -                              | 422                       |
| Principal                               | -                         | 130,000                  | -                         | -  | -                              | 130,000                   |
| Interest                                | -                         | 52,750                   | -                         | -  | -                              | 52,750                    |
| Facilities acquisition and construction | -                         | -                        | -                         | 129,897                                    | -                              | 129,897                   |
|   | <u>130,755</u>            | <u>183,172</u>           | <u>-</u>                  | <u>129,897</u>                             | <u>-</u>                       | <u>443,824</u>            |
| <br>Total expenditures                  | <br><u>3,435,590</u>      | <br><u>183,172</u>       | <br><u>-</u>              | <br><u>162,011</u>                         | <br><u>272,219</u>             | <br><u>4,052,992</u>      |
| <br>Net changes in fund balance         | <br>(5,182)               | <br>(85,642)             | <br>244,135               | <br>79,645                                 | <br>27,718                     | <br>260,674               |
| <br>Fund balances beginning of year     | <br><u>349,801</u>        | <br><u>171,230</u>       | <br><u>31,522</u>         | <br><u>22,565</u>                          | <br><u>102,983</u>             | <br><u>678,101</u>        |
| <br>Fund balances end of year           | <br><u><u>344,619</u></u> | <br><u><u>85,588</u></u> | <br><u><u>275,657</u></u> | <br><u><u>102,210</u></u>                  | <br><u><u>130,701</u></u>      | <br><u><u>938,775</u></u> |

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

|  |                          |
|--|--------------------------|
| <b>Net change in fund balances - total governmental funds (Exhibit E)</b>  | <b>\$ 260,674</b>        |
| <b>Amounts reported for governmental activities in the<br/>statement of activities are different because:</b>  |                          |
| Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.   | (5,424)                  |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows: |                          |
| Capital outlays  | 13,266                   |
| Depreciation expense   | (74,694)                 |
| Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.  | 130,000                  |
| Early retirement expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.  | 6,880                    |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.   | 542                      |
| <b>Change in net assets of governmental activities (Exhibit B)</b>   | <b><u>\$ 331,244</u></b> |

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2006

|                              | School<br>Nutrition  |
|------------------------------|----------------------|
|                              | <u>\$</u>            |
| Operating revenue:           |                      |
| Local sources:               |                      |
| Charges for services         | <u>105,041</u>       |
| Operating expenses:          |                      |
| Non-instructional programs:  |                      |
| Food service operations:     |                      |
| Salaries                     | 72,292               |
| Benefits                     | 12,036               |
| Services                     | 12,507               |
| Supplies                     | 98,314               |
| Depreciation                 | <u>2,699</u>         |
| Total operating expenses     | <u>197,848</u>       |
| Operating (loss)             | <u>(92,807)</u>      |
| Non-operating revenues:      |                      |
| State sources                | 2,312                |
| Federal sources              | 71,671               |
| Interest income              | <u>236</u>           |
|                              | <u>74,219</u>        |
| Changes in net assets        | (18,588)             |
| Net assets beginning of year | <u>44,263</u>        |
| Net assets end of year       | <u><u>25,675</u></u> |

See notes to financial statements.



## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2006

|   | School<br>Nutrition    |
|---|------------------------|
|   | <u>\$</u>              |
| Cash flows from operating activities:   |                        |
| Cash received from sale of lunches and breakfasts   | 105,041                |
| Cash payments to employees for services   | (84,328)               |
| Cash payments to suppliers for goods or services  | <u>(99,778)</u>        |
| Net cash (used in) operating activities   | <u>(79,065)</u>        |
| Cash flows from non-capital financing activities:   |                        |
| State grants received   | 2,312                  |
| Federal grants received   | <u>61,472</u>          |
| Net cash provided by non-capital financing activities   | <u>63,784</u>          |
| Cash flows from investing activities:   |                        |
| Interest on investments   | <u>236</u>             |
| Net (decrease) in cash and cash equivalents   | (15,045)               |
| Cash and cash equivalents beginning of year   | <u>22,430</u>          |
| Cash and cash equivalents end of year   | <u><u>7,385</u></u>    |
| <b>Reconciliation of operating income (loss) to<br/>net cash used in operating activities:</b>                            |                        |
| Operating (loss)  | (92,807)               |
| Adjustments to reconcile operating profit (loss)<br>to net cash provided by (used in) operating activities:               |                        |
| Depreciation  | 2,699                  |
| Commodities used  | 10,199                 |
| Decrease in inventory   | <u>844</u>             |
|   | <u><u>(79,065)</u></u> |
| <b>Reconciliation of cash and cash equivalents at year end to<br/>specific assets included on Combined Balance Sheet:</b> |                        |
| Current assets:   |                        |
| Cash  | <u><u>7,385</u></u>    |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received federal commodities valued at \$10,199.

See notes to financial statements.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2006

|                                | Private Purpose<br>Trusts<br>Scholarships |
|--------------------------------|---|
|                                | <u>\$</u>                                 |
| <b>Assets</b>                  |   |
| Cash                           | <u>164,255</u>                            |
| <b>Total assets</b>            | <u>164,255</u>                            |
| <b>Net Assets</b>              |   |
| Reserved for specific purposes | <u>164,255</u>                            |
| <b>Total net assets</b>        | <u><u>164,255</u></u>                     |

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2006

|                              |                              |
|------------------------------|------------------------------|
|                              | Private<br>Purpose<br>Trusts |
|                              | <u>Scholarships</u>          |
|                              | \$                           |
| Additions:                   |                              |
| Local sources:               |                              |
| Miscellaneous                | <u>25,250</u>                |
| Total additions              | <u>25,250</u>                |
| Deductions:                  |                              |
| Support services:            |                              |
| Other                        | <u>33,838</u>                |
| Total deductions             | <u>33,838</u>                |
| Change in net assets         | ( 8,588 )                    |
| Net assets beginning of year | <u>172,843</u>               |
| Net assets end of year       | <u><u>164,255</u></u>        |

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Laurens-Marathon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Laurens and Marathon, Iowa, and agricultural area in Palo Alto, Buena Vista and Pocahontas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Laurens-Marathon Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Laurens-Marathon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pocahontas County Assessor Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are invested in interest bearing accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 1,000      |
| Buildings                         | 10,000        |
| Improvements other than buildings | 10,000        |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 10,000        |
| Other furniture and equipment     | 10,000        |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--|
| Buildings                         | 50 years   |
| Improvements other than buildings | 20-50 years                                      |
| Furniture and equipment           | 5-15 years                                       |

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceed the amounts budgeted in the non-instructional programs and other expenditures functions.

### (2) **Cash**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End of<br>Year |
|--|---------------------------------|-----------|-----------|---------------------------|
|  | \$                              | \$        | \$        | \$                        |
| <b>Governmental activities:</b>              |                                 |           |           |                           |
| Capital assets not being depreciated:        |                                 |           |           |                           |
| Land   | 40,213                          | -         | -         | 40,213                    |
| Capital assets being depreciated:            |                                 |           |           |                           |
| Land improvements                            | 170,368                         | -         | -         | 170,368                   |
| Buildings                                    | 2,089,038                       | -         | -         | 2,089,038                 |
| Furniture and Equipment                      | 1,142,698                       | 13,266    | -         | 1,155,964                 |
| Total capital assets being depreciated       | 3,402,104                       | 13,266    | -         | 3,415,370                 |
| Less accumulated depreciation for:           |                                 |           |           |                           |
| Land improvements                            | 166,048                         | 180       | -         | 166,228                   |
| Buildings                                    | 990,061                         | 33,121    | -         | 1,023,182                 |
| Furniture and Equipment                      | 920,538                         | 41,393    | -         | 961,931                   |
| Total accumulated depreciation               | 2,076,647                       | 74,694    | -         | 2,151,341                 |
| Total capital assets being depreciated, net  | 1,325,457                       | (61,428)  | -         | 1,264,029                 |
| Governmental activities, capital assets, net | 1,365,670                       | (61,428)  | -         | 1,304,242                 |



|  | Balance<br>Beginning<br>of Year | Increases      | Decreases | Balance<br>End of<br>Year |
|--|---------------------------------|----------------|-----------|---------------------------|
|  | \$                              | \$             | \$        | \$                        |
| <b>Business type activities:</b>             |                                 |                |           |                           |
| Furniture and equipment                      | 54,091                          | 0              | -         | 54,091                    |
| Less accumulated depreciation                | 37,608                          | 2,699          | -         | 40,307                    |
| Business type activities capital assets, net | <u>16,483</u>                   | <u>(2,699)</u> | <u>-</u>  | <u>13,784</u>             |

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

74,694

Business Type activities:

Food service operations

2,699

#### (4) Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue as of October 1, 1996 |                |                |                  |
|----------------------------|----------------------------------|----------------|----------------|------------------|
|                            | Interest                         | Principal      | Interest       | Total            |
|                            | Rates                            |                |                |                  |
|                            | %                                | \$             | \$             | \$               |
| 2007                       | 5.00                             | 135,000        | 46,250         | 181,250          |
| 2008                       | 5.00                             | 140,000        | 39,500         | 179,500          |
| 2009                       | 5.00                             | 150,000        | 32,500         | 182,500          |
| 2010                       | 5.00                             | 160,000        | 25,000         | 185,000          |
| 2011                       | 5.00                             | 165,000        | 17,000         | 182,000          |
| 2012                       | 5.00                             | <u>175,000</u> | <u>8,750</u>   | <u>183,750</u>   |
| Total                      |                                  | <u>925,000</u> | <u>169,000</u> | <u>1,094,000</u> |

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

|                           | General<br>Obligation<br>Bond | Early<br>Retirement | Total          |
|---------------------------|-------------------------------|---------------------|----------------|
|                           | \$                            | \$                  | \$             |
| Balance beginning of year | 1,055,000                     | 16,640              | 1,071,640      |
| Additions                 | -                             | -                   | -              |
| Reductions                | <u>130,000</u>                | <u>6,880</u>        | <u>136,880</u> |
| Balance end of year       | <u>925,000</u>                | <u>9,760</u>        | <u>934,760</u> |

#### (6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$124,195, \$126,927 and \$126,620 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Laurens-Marathon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$130,755 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule less any other additional pay and subject to a maximum of \$20,000 per individual. Early retirement benefits paid during the year ended June 30, 2006 totaled \$6,880.

## Required Supplementary Information

**LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

|  | Governmental<br>Fund Types | Proprietary<br>Fund Type | Total                 | Budgeted Amounts      |                       | Final to<br>Actual    |
|--|----------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | Actual                     | Actual                   | Actual                | Original              | Final                 | Variance -            |
|  | \$                         | \$                       | \$                    | \$                    | \$                    | \$                    |
| Revenues:  |                            |                          |                       |                       |                       |                       |
| Local sources  | 2,460,909                  | 105,277                  | 2,566,186             | 2,608,623             | 2,608,623             | (42,437)              |
| State sources  | 1,717,073                  | 2,312                    | 1,719,385             | 1,918,318             | 1,918,318             | (198,933)             |
| Federal sources  | 135,684                    | 71,671                   | 207,355               | 218,000               | 218,000               | (10,645)              |
| Total revenues   | <u>4,313,666</u>           | <u>179,260</u>           | <u>4,492,926</u>      | <u>4,744,941</u>      | <u>4,744,941</u>      | <u>(252,015)</u>      |
| Expenditures:  |                            |                          |                       |                       |                       |                       |
| Instruction  | 2,580,192                  | -                        | 2,580,192             | 3,194,240             | 3,194,240             | 614,048               |
| Support services   | 1,028,976                  | -                        | 1,028,976             | 1,511,637             | 1,511,637             | 482,661               |
| Non-instructional programs   | -                          | 197,848                  | 197,848               | 189,032               | 189,032               | (8,816)               |
| Other expenditures   | 443,824                    | -                        | 443,824               | 400,708               | 400,708               | (43,116)              |
| Total expenditures   | <u>4,052,992</u>           | <u>197,848</u>           | <u>4,250,840</u>      | <u>5,295,617</u>      | <u>5,295,617</u>      | <u>1,044,777</u>      |
| Excess (deficiency) of revenues<br>over (under) expenditures   | 260,674                    | (18,588)                 | 242,086               | (550,676)             | (550,676)             | 792,762               |
| Other financing sources (uses)   | <u>-</u>                   | <u>-</u>                 | <u>-</u>              | <u>(50,000)</u>       | <u>(50,000)</u>       | <u>50,000</u>         |
| Excess (deficiency) of revenues and<br>other financing sources over (under)<br>expenditures and other financing uses | 260,674                    | (18,588)                 | 242,086               | (600,676)             | (600,676)             | 842,762               |
| Balance beginning of year  | <u>678,101</u>             | <u>44,263</u>            | <u>722,364</u>        | <u>1,107,440</u>      | <u>1,107,440</u>      | <u>(385,076)</u>      |
| Balance end of year  | <u><u>938,775</u></u>      | <u><u>25,675</u></u>     | <u><u>964,450</u></u> | <u><u>506,764</u></u> | <u><u>506,764</u></u> | <u><u>457,686</u></u> |

See accompanying independent auditor's report.

**LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT**

**Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2006

|   | <u>Management</u> | <u>Student</u> | <u>Total</u>   |
|---|-------------------|----------------|----------------|
|   | \$                | \$             | \$             |
| <b>Assets</b>                             |                   |                |                |
| Cash and pooled investments               | 79,822            | 49,555         | 129,377        |
| Property tax receivable:                  |                   |                |                |
| Current year                              | 1,324             | -              | 1,324          |
| Succeeding year                           | 100,000           | -              | 100,000        |
| Income surtax succeeding year             | <u>-</u>          | <u>-</u>       | <u>-</u>       |
| <b>Total assets</b>                       | <u>181,146</u>    | <u>49,555</u>  | <u>230,701</u> |
| <b>Liabilities and Fund Balance</b>       |                   |                |                |
| Liabilities:                              |                   |                |                |
| Deferred revenue:                         |                   |                |                |
| Succeeding year property tax              | 100,000           | -              | 100,000        |
| Succeeding year income surtax             | <u>-</u>          | <u>-</u>       | <u>-</u>       |
|   | <u>100,000</u>    | <u>-</u>       | <u>100,000</u> |
| Fund balance:                             |                   |                |                |
| Unreserved fund balance                   | 81,146            | 49,555         | 130,701        |
|   | <u>81,146</u>     | <u>49,555</u>  | <u>130,701</u> |
| <b>Total liabilities and fund balance</b> | <u>181,146</u>    | <u>49,555</u>  | <u>230,701</u> |

See accompanying independent auditor's report.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2006

|   | <u>Management</u>    | <u>Student</u><br><u>Activity</u> | <u>Total</u>          |
|---|----------------------|-----------------------------------|-----------------------|
|   | \$                   | \$                                | \$                    |
| Revenues:   |                      |                                   |                       |
| Local sources:  |                      |                                   |                       |
| Local tax   | 99,810               | -                                 | 99,810                |
| Other   | 20,514               | 179,530                           | 200,044               |
| State sources   | 83                   | -                                 | 83                    |
| Federal sources   | -                    | -                                 | -                     |
| Total revenues  | <u>120,407</u>       | <u>179,530</u>                    | <u>299,937</u>        |
| Expenditures:   |                      |                                   |                       |
| Instruction:  | 58,906               | 178,842                           | 237,748               |
| Support services:   |                      |                                   |                       |
| Administration services   | -                    | -                                 | -                     |
| Plant operation and maintenance   | 23,918               | -                                 | 23,918                |
| Student transportation  | <u>10,553</u>        | <u>-</u>                          | <u>10,553</u>         |
| Total expenditures  | <u>93,377</u>        | <u>178,842</u>                    | <u>272,219</u>        |
| (Deficiency) of revenues (under) expenditures and<br>other financing uses | 27,030               | 688                               | 27,718                |
| Fund balances beginning of year   | <u>54,116</u>        | <u>48,867</u>                     | <u>102,983</u>        |
| Balance end of year   | <u><u>81,146</u></u> | <u><u>49,555</u></u>              | <u><u>130,701</u></u> |

See accompanying independent auditor's report.



## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

| Account                 | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Balance<br>End of<br>Year |
|-------------------------|---------------------------------|----------|--------------|---------------------------|
|                         | \$                              | \$       | \$           | \$                        |
| Speech Trip             | 312                             | -        | 32           | 280                       |
| Speech                  | 850                             | 7,899    | 6,902        | 1,847                     |
| Vocal Trip              | 9,204                           | 8,619    | 5,425        | 12,398                    |
| Band Trip               | 5,278                           | 13,723   | 17,267       | 1,734                     |
| Spanish Trip            | 751                             | 1,010    | 334          | 1,427                     |
| Band Uniforms           | 314                             | 5        | -            | 319                       |
| Wrestling Cheerleaders  | -                               | 919      | 74           | 845                       |
| Football Cheerleaders   | -                               | 2,582    | 2,384        | 198                       |
| Basketball Cheerleaders | -                               | 529      | 529          | -                         |
| Towel Fees              | 73                              | -        | -            | 73                        |
| Athletics               | (8,892)                         | 70,921   | 62,007       | 22                        |
| Athletic Uniforms       | 6,659                           | 3,134    | 6,302        | 3,491                     |
| Interest                | 60                              | 1,079    | 741          | 398                       |
| HS Special Needs        | 3,383                           | 20       | 1,151        | 2,252                     |
| LD Special Needs        | 40                              | -        | -            | 40                        |
| Annual 06               | 2,000                           | 5,708    | 6,540        | 1,168                     |
| Annual 05               | 1,322                           | 1,557    | 2,879        | -                         |
| Annual 07               | -                               | 2,000    | -            | 2,000                     |
| Annual General          | 2,137                           | 5,318    | 5,610        | 1,845                     |
| Concessions             | 2,656                           | -        | 2,656        | -                         |
| TAG                     | 35                              | 189      | 144          | 80                        |
| MS Guidance             | 52                              | -        | -            | 52                        |
| Student Council         | -                               | 690      | 690          | -                         |
| Class of 2008           | -                               | 3,930    | 2,262        | 1,668                     |
| Class of 2005           | 1,771                           | -        | 1,771        | -                         |
| Class of 2006           | 2,408                           | 100      | 1,689        | 819                       |
| Class of 2007           | 3,521                           | 13,714   | 13,271       | 3,964                     |
| Graduated Seniors       | 1,376                           | 1,705    | 1,553        | 1,528                     |
| Drill Team              | 3,067                           | 3,570    | 4,515        | 2,122                     |
| National Honor Society  | -                               | 160      | 156          | 4                         |
| FFA                     | 6,656                           | 28,976   | 31,833       | 3,799                     |
| Home Ec                 | 63                              | -        | -            | 63                        |
| Character Counts        | 3,771                           | 1,473    | 125          | 5,119                     |
| Total                   | 48,867                          | 179,530  | 178,842      | 49,555                    |

See accompanying independent auditor's report.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Net Assets  
Private Purpose Trusts

Year ended June 30, 2006

| Account                | Balance<br>Beginning<br>of Year | Revenues      | Expenditures  | Balance<br>End of<br>Year |
|------------------------|---------------------------------|---------------|---------------|---------------------------|
|                        | \$                              | \$            | \$            | \$                        |
| Blomgren Fund          | 23,313                          | -             | 17,019        | 6,294                     |
| Scholarship Fund       | 14,851                          | 22,366        | 10,029        | 27,188                    |
| Marker Fund            | 30                              | -             | -             | 30                        |
| Huey Korrekt Band Fund | 675                             | -             | -             | 675                       |
| Playground Fund        | 452                             | -             | 340           | 112                       |
| Scholarship Savings    | 3,000                           | -             | -             | 3,000                     |
| Wal-Mart/Waters        | 47                              | -             | -             | 47                        |
| Hakes Scholarship      | 12,459                          | 61            | 250           | 12,270                    |
| Nonneman Scholarship   | 9,696                           | 304           | 500           | 9,500                     |
| Gilchrist Scholarship  | 10,165                          | 50            | 200           | 10,015                    |
| Halder Scholarship     | 5,000                           | 150           | 200           | 4,950                     |
| Ludwig Scholarship     | 16,500                          | 454           | 2,500         | 14,454                    |
| Hovenden Scholarship   | 25,001                          | 688           | 250           | 25,439                    |
| Whitfield Scholarship  | 3,000                           | 83            | 150           | 2,933                     |
| Ryon Scholarship       | 10,000                          | 275           | 500           | 9,775                     |
| Sindergard Scholarship | 586                             | 28            | 300           | 314                       |
| Wright Scholarship     | 5,030                           | -             | 300           | 4,730                     |
| Hoffman Scholarship    | 15,000                          | 413           | 700           | 14,713                    |
| Kees Scholarship       | 10,000                          | 200           | 400           | 9,800                     |
| B Peterson Scholarship | 8,038                           | 178           | 200           | 8,016                     |
|                        | <u>172,843</u>                  | <u>25,250</u> | <u>33,838</u> | <u>164,255</u>            |
| Total                  | <u>172,843</u>                  | <u>25,250</u> | <u>33,838</u> | <u>164,255</u>            |

See accompanying independent auditor's report.

## LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

## Governmental Fund Types

|   | Years ended June 30, |                  |                  |                  |
|---|----------------------|------------------|------------------|------------------|
|   | 2006                 | 2005             | 2004             | 2003             |
|   | \$                   | \$               | \$               | \$               |
| Local sources:                                |                      |                  |                  |                  |
| Local tax:                                    |                      |                  |                  |                  |
| Property tax                                  | 1,571,387            | 1,573,607        | 1,722,921        | 1,689,906        |
| Mobile home tax                               | 1,077                | 728              | 2,887            | 2,313            |
| Income surtax                                 | 87,538               | 82,774           | 74,720           | 80,102           |
| Local option sales tax                        | 240,084              | 119,522          | -                | -                |
|   | <u>1,900,086</u>     | <u>1,776,631</u> | <u>1,800,528</u> | <u>1,772,321</u> |
| State sources:                                |                      |                  |                  |                  |
| State foundation aid                          | 1,424,331            | 1,444,631        | 1,287,437        | 1,364,887        |
| AEA flow through                              | 130,755              | 130,364          | 131,938          | 149,652          |
| Instructional support                         | 13,510               | 14,568           | 13,352           | 14,693           |
| Educational excellence program:               |                      |                  |                  |                  |
| Phase I                                       | 27,472               | 28,875           | 27,972           | 28,181           |
| Phase II                                      | 34,011               | 34,679           | 35,267           | 37,327           |
| Phase III                                     | -                    | -                | -                | 9,490            |
| Revenue in lieu of taxes - military credit    | 1,295                | 1,322            | 1,345            | 1,314            |
| Vocational aid                                | 1,895                | 3,031            | 3,269            | 3,799            |
| Iowa Early Intervention Block Grant           | 20,247               | 24,643           | 23,687           | 25,943           |
| Evaluator training                            | -                    | -                | -                | 1,000            |
| Teacher quality and improvement program       | 46,014               | 40,429           | 36,335           | 32,104           |
| Teacher mentoring program                     | 1,300                | 1,300            | 2,600            | 2,600            |
| Professional development                      | 15,580               | -                | -                | -                |
| Nonpublic transportation aid                  | 663                  | -                | -                | -                |
| Other   | -                    | 1,106            | 12,801           | -                |
|   | <u>1,717,073</u>     | <u>1,724,948</u> | <u>1,576,003</u> | <u>1,670,990</u> |
| Federal sources:                              |                      |                  |                  |                  |
| Improving Teacher Quality - Grants to States  | 13,645               | 14,737           | 14,802           | 11,718           |
| Special Education - Basic Grants to States    | 22,521               | 30,232           | 8,598            | 14,470           |
| Safe and Drug Free Schools                    | 2,075                | -                | 2,254            | 2,226            |
| Title I Grants to Local Educational Agencies  | 50,196               | 50,439           | 59,109           | 50,863           |
| Vocational Education - Basic Grants to States | 4,005                | 4,712            | 4,842            | 2,879            |
| Innovative Education Program Strategies       | 1,414                | 2,302            | 2,203            | 2,396            |
| Grants for Assessments and Related Activities | 2,580                | 2,658            | 2,682            | 2,216            |
| Rural Education Achievement Program           | 39,248               | 41,455           | 42,167           | 38,664           |
| Fire Safety Grant                             | -                    | -                | 50,000           | 25,000           |
| Other   | -                    | 1,004            | -                | -                |
|   | <u>135,684</u>       | <u>147,539</u>   | <u>186,657</u>   | <u>150,432</u>   |
| Total   | <u>3,752,843</u>     | <u>3,649,118</u> | <u>3,563,188</u> | <u>3,593,743</u> |

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of the  
Laurens-Marathon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Laurens-Marathon Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Laurens-Marathon Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens-Marathon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Laurens-Marathon Community School District and other parties to whom Laurens-Marathon Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Laurens-Marathon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

October 23, 2006

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

06-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, exceeded the certified budget amounts in the non-instructional programs and other expenditures programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

6-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

06-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u> | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Don Fuchs,<br>Spouse of Board Member           | Snow removal                       | \$1,260       |

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since they totaled less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

06-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

06-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.